

**MINUTES  
JOINT MEETING OF THE  
ROCKFORD FIREFIGHTERS' PENSION FUND and THE ROCKFORD POLICE PENSION FUND  
March 20, 2014**

A joint meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund and the Rockford Police Pension Fund was held on Thursday, March 20, 2014, at 4:30 p.m. in the second floor conference room of the City Hall at 425 E. State Street, Rockford, Illinois, pursuant to notice.

**CALL TO ORDER**

The meeting was called to order at 4:30 p.m. Upon a call of the roll, the following answered:

**ATTENDED:**

For Rockford Fire: Alan Granite, President; Tracy Renfro, Secretary; Jim Strey, Trustee; Michael White, Trustee; and Chris Black, City Finance Director

For Rockford Police: Marcia Mueller, Hinshaw & Culbertson; Jeff Nielsen, Retired  
Scott Lowry, Savant Capital

STAFF: Ted Dutkiewicz; Linda Wlaznik, Pension Investment Accountant  
Judi Yehling, Recording Secretary

GUESTS: Attorney Carolyn Clifford, Ottosen Britz, Rockford Fire  
Attorney Roberta Holzwarth, Holmstrom & Kennedy, P.C.  
Mike Piotrowski, Marquette Associates  
Tim Bowen, Mesirow Financial Insurance Services

Tim Bowen of Mesirow Financial introduced himself to the Board members. Mesirow Financial is the largest broker for Article 3 and 4 funds for fiduciary liability insurance in Illinois and has about 170 clients.

Mr. Bowen provided a "SAMPLE" proposal/presentation of a Fiduciary Liability Insurance Coverage Summary to all Board members and proceeded to go over the contents.

- Page 4 of the booklet provides a summary of Mesirow Insurance Services and the services they provide.
- Pages 5 and 6 show a sample of Mesirow's request as a broker to the insurance carriers for a quote (pg. 5) and the what the carriers' responses might be (pgs. 6-7). Bowen commented that there are five or six carriers that do well in this area. Those providing fiduciary liability insurance are: Travelers, AIG, Chubb, Euclid and Ullico (who are aggressive). Bowen highlighted what he has seen as trends which these carriers seem to be following like Travelers for example who is raising its deductible, raising premiums, adding exclusions, etc. , so they're not super aggressive on their renewals or on new business. AIG and Chubb are somewhat in the middle and are willing to quote

sometimes aggressive expensive than their competitors but they do offer good coverage. Euclid and Ullico are both very aggressive in terms of pricing and coverage.

- Page 8 covers the typical provisions of coverage that might be contained in a response from two different carriers. Several provisions are highlighted, and Bowen stressed their importance and discussed in greater detail what these offer and their impact: *Duty to Defend* which covers claims against individual trustees; *Choice of Counsel* which he recommends if the fund has its own attorney; and *Consent to Settle Clause* which he believes should be the decision of the trustees and is a clause one would not want. These provide for “control of your own defense” and the intent of the coverage is to protect the personal assets of the individual trustees. The most expensive portion of any claim is the defense costs which are included in any policy.
- Page 9 reviews important exclusions again based on the supposed responses of two carriers. Bowen called attention to the first two (*Personal Profit/Illegal Remuneration and Criminal/Fraudulent Acts/Willful violation of any law*) which both refer to allegations of illegal acts. The bottom two exclusions are also very important and need to be watched for (*Failure to Adequately or Properly Fund the Employee Benefit Plan and Benefits Due*). He commented that trustees cannot be held liable for underfunding and one never wants that exclusion in the policy. The *Benefits Due* are strictly the responsibility of the plan and this relates only to defense costs. The other exclusions relate mainly to insurance that is purchased elsewhere.
- Page 10 gives sample quotes based on carriers and options. Bowen, in response to “what do most funds our size purchase,” explained that it depends largely on the Board’s risk tolerance; how high profile of a fund you are and the cost. For these two funds he would present quotes for limits of \$1, \$3 and \$5 million. (Currently Police has \$5 million coverage and Fire has \$2 million.)
- Typically, Bowen indicated, a Board sees three or four claims per year and half result in settlement. He cited the most frequent types of claims: breach of fiduciary responsibility, imprudent investments; allegations of illegal acts; benefits disputes; failure to monitor the actions of your fellow trustees – almost like whistle blower coverage.
- Need to consider severity and frequency of claims. Out of the 160 funds they handle (which excludes the larger funds) they see an average of three or four claims per year and a little less than half are settled – rarely do they get to final adjudication.
- Mesirow always gives at least three quotes. The carriers have 90 days in advance of renewal to notify if it will not be renewed. It is important to “take their pulse” every year and get competing quotes.
- Of the clauses, severability is an important one. If a Board member commits fraud, the guilty party is severed from the contract. You want to make sure that you have 100% defense costs covered.
- A zero deductible is also very important but not all carriers offer it. And you may or may not be indemnified – in Illinois there is no guaranteed indemnity and no clear statement that you have no indemnity, i.e. depending on the allegation you may or may not be

indemnified for your defense costs by the plan assets. Bowen always recommends a zero deductible.

- As far as coverage through personal umbrella policies, Bowen said he has never seen a carrier willing to cover acts as a fund trustee.
- All brokers receive the same commission and only one broker can approach one carrier at a time. At this time, Bowen cannot approach the current insurance carrier for a quote and would not be able to approach other insurance carriers that had been approached in the past without the Board's specific written permission.
- Current insurance is written as an ERISA plan and is not suitable. The current carrier is Chubb.
- It takes about five business days to get a quote and you must provide an audit statement and actuarial report. The audit statement and/or actuarial report can be one that's a year old for purposes of obtaining a quote.
- In terms of companies that are easier to deal with Ullico and Chubb are very "pro insured." What is the claims experience? AIG is willing to insure anyone but they are "not a good partner."
- They suggest that the review always starts with exclusions first. Once Mesirow has permission to approach they will present the quotes in a matrix and it should be done 60 days prior to renewal.
- The Firefighters Pension Fund policy is good until July 1 and any quotes will be good until the effective date. A motion was made by Alan Granite and seconded by Tracy Renfro directing Tim Bowen/Mesirow to obtain quotes for fiduciary liability insurance coverage for the Rockford Firefighters Pension Fund for \$1, \$3 and \$5 million coverage. A roll call vote was taken:


<b>Ayes:</b>	Alan Granite	Jim Strey
	Tracy Renfro	Michael White
	Chris Black	
<b>Nays:</b>	None	

- Tracy Renfro left at 5:25 p.m.
- Question was raised about what is the brokerage relationship; the fund assigns the carriers to approach to the broker and this may or may not be exclusive. Police discussed what broker to use – the current one which is local or Mesirow. They are uncertain which one was used previously. Can use Mesirow as long as they don't assign exclusivity. Chris Black indicated that staff could look into the situation as far as whether previous broker was local. Attorney Clifford commented that after working with Attorney Holzwarth the concern became that the policy was for an ERISA fund. Bowen commented that if you hold a policy that covers breaches of ERISA, when a non-ERISA-based fund provides a claim to the insurance carrier, it's not going to let ERISA and you don't trigger the definition of a wrongful act, you have no coverage. The carrier will say there's no allegation of breach of ERISA and until there is, we're not going to defend this claim.

- A motion to adjourn the meeting of the Rockford Firefighters Pension Fund at 5:37 p.m. was made by Trustee Strey and seconded by Trustee White. Motion carried.
- Next regular meeting is April 17, 2014, at 3:00 p.m.

• Signed:

Prepared by:

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Tracy Renfro, Secretary

  
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Judith Yehling, Recording Secretary

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Date

  
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Date

• *Approved by the Board of Trustees at its April 17, 2014, meeting.*